(c) whether the smugling activities have shown an increase during 1996;

(d) if so, the reasons therefor; and

(e) the steps taken to minimise the smuggling activities during 1997 ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : (a) to (e) Information is being collected and will be laid down on the Table of the House.

Report of Inter-Department Group on Securities Scam

4466. SHRI MOHAN RAWALE : Will the Minister of FINANCE be pleased to state :

(a) whether the Government has received the report of the Inter-departmental group regarding end-use of the money of the securities scam;

(b) if so, the details thereof;

(c) the main recommendations made in the report;

(d) the reaction of the Government thereto;

(e) Whether any suggestions have been made in the report to check recurrence of such scams in future; and

(f) if so, the details thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : (a) to (f) The Inter Disciplinary Group (IDG) constituted to trace the end use of funds involved in the problem exposure of banks and Financial Institutions as identified by the Janakiraman Committee submitted its final report to the Reserve Bank of India (RBI). The report was laid on the Table of both the Houses of Parliament in December, 1996. The problem exposure of banks/financial instituions estimated by the Janakiraman Committee was Rs. 4024.45 crores. However, the IDG reassessed the exposure against notified persons at Rs.3,305.69 crores. The reduction was mainly on account of double counting, differences in valuation and subsequent out of Court settlement by certain banks. Auditors have been appointed by RBI to check instances of differences where the attached assets fell short of problem exposure. Under RBI's instructions, auditors have been looking into delivery of securities appearing in the asset ledger of some of the brokers for their transactions with banks/financial institutions. Auditors appointed by the Special Court are also writing up the accounts of two of the notified parties.

As the task of the IDG was to trace the end use of funds, no recommendation/suggestion has been made in the report to check recurrence of irregularities in securities transactions in future.

Supervision on Non-Banking Financial Companies

4467. SHRI NAMDEO DIWATHE : Will the Minister of FINANCE be pleased to state :

(a) whether the Government have received report of Khanna Panel on the need for comprehensive supervision on Non-Banking Financial Companies;

(b) if so, the details thereof;

(c) the reaction of Reserve Bank of India/other Government Agencies thereto;

(d) the details regarding present status of the proposal; and

(e) the steps taken/proposed by the Government to monitor effectively the operations/performance of Non-Banking Financial Companies ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : (a) Yes, Sir.

(b) The major recommendations of the Khanna Committee are divided into two parts, viz. (i) regulatory and (ii) supervisory aspects.

REGULATORY ASPECTS : The group had recommended enhancement in the then existing statutory powers of RBI (i) to provide for compulsory registration of both existing and new NBFCs with the banks, (ii) to prescribe minimum equity of Rs. 100 lakh for a new company, (iii) to stipulate creation of Reserve Fund by NBFCs and transfer regulatory jurisdiction of RBI, all NBFCs (registered with RBI and unregistered) should be supervised mainly through off site surveillance mechanism an amount of not less than 20 per cent of their net profits every year to the said fund, (iv) to enable the bank to initiate proceedings for liquidation of any NBFC whose financial position is found to be weak, (v) to prescribe the extent of investments to be made by NBFCs in approved securities, (vi) to enforce repayment of deposits by defaulting companies on the lines of Companies Act, 1956, etc.

SUPERVISORY ASPECTS : The committee made number of recommendations which inter-alia, includes (i) bringing all NBFCs regardless of their capital base under supervisory net of RBI, (ii) focus supervisory attention in a comprehensive and elaborate manner only on those NBFCs having net owned funds of Rs. 100 lakhs and above, (iii) for focussing supervisory attention of varying intensity, the Bank should soratify the reporting companies based